



City of Sierra Vista

Department of Administrative Services - Finance Division

Frequently Asked Questions About the City of Sierra Vista's Real Property Rental Tax

1) What is the tax rate?

The tax rate is 1% on the gross rental income from each unit or piece of property that is rented. If a landlord charges \$500 per month rent, then the tax is \$5.00.

2) Who needs to collect the tax?

A person that owns and/or manages three or more residential properties and/or one or more commercial properties must collect and remit the tax. i.e. if a person owns and rents out two residential properties he/she is exempt from collecting and remitting the tax, but if he/she owns and rents one residential properties and one commercial property then that person must collect and remit taxes for both properties.

3) Do I need a City business license?

If you meet the requirements to collect the rental tax, then you need a City business license as well.

4) What if I use a property management company?

Since a property management company is considered in the business of renting property by the Arizona Department of Revenue, the property management company must collect and remit tax on all of the properties it manages regardless of how many homes each of its clients may own.

If you have three or more properties and use a property management company, they should take care of collecting and remitting the tax for you.

Also, if you use a property management company for your properties, you do not need a City business license.

5) Does this tax apply only to buildings?

No. This tax applies to any real property that someone rents. i.e. if you own an RV, but lease a space from an RV park, the rent on the space is taxable

6) How do I (the property owner/manager) pay the tax?

You must first obtain a State Privilege Tax license from the Arizona Department of Revenue (ADOR). Then each month you fill out their TPT-1 form for the income you received the prior month and send a payment to ADOR.

7) Where can I get the forms I need?

The State registration and tax submission forms are available on their website at www.azdor.gov. You can also stop by City Hall and pick up a packet that includes the ADOR registration form, City Business License Application and Home Occupancy Permit Application.

8) What is the Home Occupancy Permit?

It is a permit required by City code for anyone doing business out of their home. The fee is \$35.00 and the permit is good for two years.

9) What is the money going to be used for?

Most of the money from the new tax package will be spent in the public safety area. This includes an estimated \$1,000,000 for the operations of the new third fire station and approximately \$270,000 for additional police officers.

10) Why didn't the City raise its property tax instead?

In June 2006 the Arizona State Legislature adopted a bill that reset all cities property tax levies to what they were last year. Therefore, by law, the City, is unable to increase its tax rate to the level needed to raise the necessary revenue.